



Realising the promise of agriculture for Africa's transformation

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CTA Policy Brief

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Transforming Africa's economic development requires a shift away from its characteristic dependence on commodities and limited domestic production. Broader participation in economic growth is needed to stem rural flight and promote inclusive job creation among youth and women. Agriculture is a proven platform for economic transformation and can be achieved in African countries through policies addressing bottlenecks and constraints to the expansion of agriculture in the economy.

Policy action needed

- Increase public spending in agriculture, in line with the Maputo Declaration, and carefully select priority areas for finance (such as infrastructure), so as to improve technical capacity, training and research
- Improve private-sector support programmes, targeting key supply chain actors that have the greatest impact on growth, such as farmers' organisations, banks and investors
- Expand and support linkages between agriculture and other productive and income generating sectors, particularly tourism and manufacturing (such as garments)
- Target policies to bottlenecks in agricultural production and trade.

Why isn't agriculture delivering for Africa?

Limited productive, manufacturing and processing capabilities mean that agriculture continues to lag behind other sectors in its contribution to gross domestic product (GDP), its ability to attract investment and its capacity to address demographic changes and demands. Growth in agricultural GDP was only 3.8% per year between 2000 and 2005, up from 2.3% in the 1980s, led largely by area expansion as opposed to increased productivity. Up to 500 million Africans will have entered the consumer market by 2015, and at the current pace of agricultural productivity, Africa will only meet 25% of its food demand in 2030. Unemployment and poverty are also huge challenges for African countries, and according to analysts, there would need to be up to 25 million jobs created each year in Africa in order to maintain stability, which needless to say could not be achieved without the involvement of the agricultural sector.

Realising agriculture's economic potential

Extensive challenges remain if we are to eliminate the obstacles preventing the agricultural sector from scaling up its productivity, revenue generation and innovation. At present, many African governments and institutions are focusing on policy to address the financial, institutional and infrastructure barriers that have held agriculture back.

Infrastructure

While recognising the need to increase and improve transport infrastructure, governments have failed to make a concerted effort to ensure the alignment of these projects with priorities in the agricultural sector. Likewise, agricultural policy-makers must continue to push for market-related infrastructure – such as power and communications networks – to be factored into agricultural policies, for example by supporting renewable energy

generation (solar panels). Poor infrastructure disproportionately affects smallholder farmers when they are unable to access markets or are forced to sell goods at the first opportunity because they cannot transport, store or process produce. Smallholder farmers are also unable to achieve economies of scale.

Scale across the value chain: the pivotal role of farmers' organisations and cooperatives

Policies that support farmers' organisations by facilitating aggregation have had positive results. For example, the Ugandan National Agricultural Policy (2013), which recognises the critical role of cooperatives in the agricultural value chain, has actually resulted in farmers' organisations successfully lobbying the government to pass a national coffee policy. At the regional level, the East African Farmers' Federation has also been successful in pushing for the creation of a regional cooperative law, the EAC Cooperative Societies Bill (2014), the first

“Undocumented or contested land titles are an impediment to investment and access to finance.”

of its kind allowing cooperatives to admit members from any member state of the East African Community. The next step is for farmers' organisations to develop a policy on agricultural finance.

Legal and regulatory environment

Two critical issues have to be addressed by governments in most African countries to make agriculture more attractive to investment and more secure as a source of livelihoods. The first concerns land rights and title deeds, in particular to reconcile fragmentation in the rules that govern ownership, transferability or transformation of land. Undocumented or contested land titles are an impediment to investment and access to finance. Land ownership problems particularly affect women even though they are responsible for 75% of the work involved in food production, with the figure increasing to 90% in food processing. Comprehensive policies on regulation in the agricultural sector are overdue in most of the continent, especially on food safety, production standards and plant and animal health. Even in those countries that do have policies, the capacity to enforce them has not been prioritised, as this involves investing in skilled staff and modern facilities as well as awareness and education programmes on sanitary and phytosanitary measures across the entire value chain.

Food safety – smart policies in Kenya's milk markets

Successful policy responses to the issue of food safety must address both upstream and downstream actors in the value chain. In Kenya, where 80% of the milk is produced by smallholder farmers, an ongoing problem is that most milk (up to 70%) is sold through the informal sector, which has implications for food safety. It has been shown that training and certifying milk traders has more positive effects than prohibiting informal milk markets, including the use of safer and better technologies and the production of safer milk. The end result is that the changes in policy have led to comparable compliance levels between the formal and informal milk market plus annual gains of around US\$26 million.

The role of the private sector

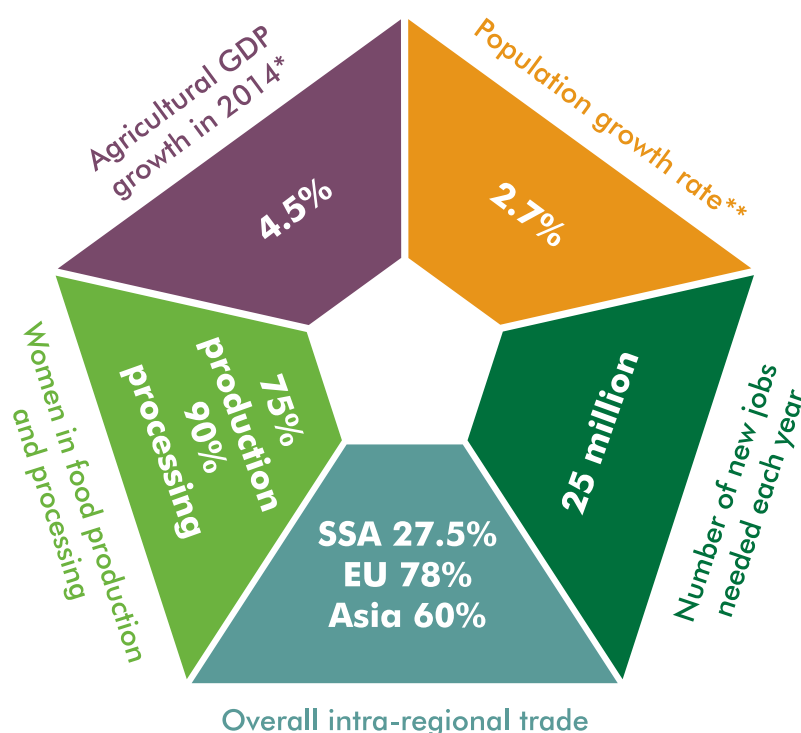
The private sector in agriculture has to be promoted and supported. Policy-makers should, in particular, remove barriers to effective private-sector participation in agricultural research, finance and investment. Although macroeconomic policies dealing with price inflation, taxation and subsidies all undeniably have a very significant effect on the degree to which the private sector may be attracted to, or even be able to, invest in agriculture, governments can nevertheless adopt microeconomic policies that facilitate participation of the private sector, acting either independently or through public-private partnerships. Perhaps one of the most overlooked opportunities for policy-makers to take advantage of agriculture's multiplier effects is in linking the private sector in agriculture with other productive fields such as tourism, manufacturing and the service industry.

Investing today for a more secure Africa

Of all the economic sectors driving economic growth in Africa, agriculture is pivotal to achieving structural transformation in the region, since it is linked to the greatest range of the region's factor endowments – namely its geographic, demographic and environmental characteristics. Policy reforms that strengthen and promote linkages between agriculture and other sectors are therefore critical to broader sustainable economic growth, but these linkages must be based on sound evidence and have effective oversight. The level of intra-African agricultural trade has grown in significance (27.5% in 2013), but the bulk of agricultural produce is still exported to international markets. This means, first, that with processing and value addition, there is considerable potential for transformative gains, provided policies are in place to ensure food safety and production standards are met. Second, there is a growing but largely untapped market for regional trade in agriculture that could play a strong role

in the development of regional value chains and economies of scale, act as a magnet for investment, and balance the continent's overdependence on turbulent foreign markets. Policies that prioritise infrastructure development and capacity building, and channel investment into improving the knowledge, skills and competitiveness of the private sector have been shown to be the best way to achieve this.

Figure 1. Population growth (annual %) from the World Bank



* Source: World Bank. January 2015. *Global Economic Prospects*.

** Source: World Bank. Population growth (annual %) Sub-Saharan Africa 1961-2015.

“CAADP must provide the basis for agricultural transformation which will lead to industrial development in the continent ... about one-third of the GDP of Africa comes from agriculture.”

H.E. Rhoda Peace Tumusiime, Commissioner for Rural Economy and Agriculture, African Union

Further reading

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CTA Policy Briefs provide a concise summary of a particular issue of relevance to the Centre's activities, the policy options to deal with it, and some recommendations on the best option. They are aimed at policy-makers and their technical advisors, academics and educators working in the policy field and others who are interested in formulating or influencing policy.

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